

Message Text

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61

ACTION EB-11

INFO OCT-01 ARA-16 EUR-25 ISO-00 AGR-20 CEA-02 CIAE-00

COME-00 DODE-00 FRB-02 H-03 INR-10 L-03 LAB-06

NSAE-00 NSC-10 PA-04 RSC-01 AID-20 CIEP-02 SS-20

STR-08 TAR-02 TRSE-00 USIA-15 PRS-01 SPC-03 OMB-01

AF-10 DRC-01 /197 W

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R 131815Z DEC 73

FM AMEMBASSY SAN SALVADOR

TO SECSTATE WASHDC 4320

INFO AMEMBASSY GUATEMALA

AMEMBASSY MANAGUA

AMEMBASSY SAN JOSE

AMEMBASSY TEGUCIGALPA

AMEMBASSY MEXICO

AMEMBASSY BOGOTA

AMEMBASSY LONDON

AMEMBASSY BRASILIA

AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

LIMITED OFFICIAL USE SAN SALVADOR 4624

E.O. 11652 N/A

TAGS: EAGR: ETRD: ES

SUBJ: COFFEE-SALES EMBARGO AGAINST US ENDS

REF: A. SAN SALVADOR 3722: B. SAN SALVADOR A-168 NOVEMBER 27, NOTAL

1. SALVADORAN COFFEE COMPANY (CSC) PRESIDENT, FEDERICO SAMAYOA, CONFIRMED TO EMBOFF THAT THE CSC ENDED ITS EMBARGO OF SALES TO THE US (SEE REFTEL) ABOUT THE THIRD WEEK OF NOVEMBER. AT THAT TIME THE NEW YORK PRICE FOR "OTHER MILDS" WAS \$63.50, UP \$3.50 OVER SEPTEMBER 22 WHEN THE EMBARGO WAS ANNOUNCED. WHAT THE CSC CALLS A SUCCESSFUL POLICY, ALL OTHERS WE HAVE HEARD FROM, LIMITED OFFICIAL USE
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INCLUDING GOES OFFICIALS, CALL ANOTHER ONE OF "DR. FALLA'S (CSC MANAGER) GOOFS". IT WAS KNOWN THAT DR. FALLA'S OBJECTIVE IN THE

EMBARGO, IF NOT THAT OF OTHER PARTICIPATING PRODUCER COUNTRIES, WAS TO PUSH PRICES TO THEN MID-\$70'S. THE ACTUAL RESULT, NO DOUBT, EXPLAINS WHY THE EMBARGO, SO LOUDLY ANNOUNCED, WAS TERMINATED QUIETLY.

2. AS REPORTED IN REFTTEL, SOME 500,000 BAGS OF 60 KILOS WERE CARRIED INTO THE COFFEE YEAR BEGINNING OCTOBER 1. PRIMARILY DUE TO THE EMBARGO AND A REPORTEDLY GENERALLY SOFT DEMAND, LITTLE COFFEE WAS SHIPPED IN OCTOBER AND NOVEMBER. UNOFFICIALLY WE WERE TOLD APPROXIMATELY 30,000 BAGS IN OCTOBER AND 15,000 IN NOVEMBER WERE SHIPPED; SAMAYOA ACKNOWLEDGED THAT THESE WERE ROUGHLY ACCURATE FIGURES. HE SAID THAT SINCE THE LATTER PART OF NOVEMBER AND UP UNTIL DECEMBER 5, 250,000 BAGS HAVE BEEN SOLD WITH THE BULK SCHEDULED FOR SHIPMENT IN DECEMBER, THE REST IN JANUARY. ALL IS 1972/73 COFFEE. SAMAYOA WAS MORE PESSIMISTIC CONCERNING THE CURRENT HARVEST THAT BEFORE, NOW ESTIMATING EXPORTABLE PRODUCTION NEARER 1.6 MILLION BAGS THAN THE HERETOFORE ESTIMATE OF 1.8 TO 11.9 MILLION.

3. THE RESUMPTION OF COFFEE SALES MAY WELL REFLECT INTERVENTION FROM MONETARY QUARTERS SINCE NET INTERNATIONAL RESERVES ON NOVEMBER 9, AT 143 MILLION COLONES, WERE DOWN 73.4 MILLION FROM A YEAR EARLIER AND COVERED LESS THAN TWO MONTHS IMPORTS (SEE REFAIR). THE FALL IN RESERVES IS ATTRIBUTED BY THE MONETARY AUTHORITIES CHIEFLY TO LOW COFFEE RECEIPTS IN THE THIRD QUARTER, BUT ALSO TO THE ABSENCE OF SEASONAL RECEIPTS FROM COTTON, WHOSE DELIVERIES ARE IN SUSPENSE PENDING SETTLEMENT OF THE FUTURES CONTRACT DISPUTE. A CENTRAL BANK OFFICIAL EXPRESSED ADDITIONAL FRUSTRATION OVER CSC POLICY BY CRITICIZING ITS DECISION TO SELL IN 1973 ONLY 1972/73 COFFEE INSTEAD OF HIGHER VALUE CURRENT PRODUCTION.

4. FOR IMMEDIATE REASONS UNKNOWN, DR. FALLA, SAMAYOA AND CSC VP TINOCO, ANNOUNCED ON DEC. 10 THAT EL SALVADOR WOULD ACCEPT ONLY AN ICA WHICH PROVIDED PRICE RANGES AND QUOTA FLEXIBILITY NECESSARY FOR THE COUNTRY TO MAINTAIN INCOME TO COMPENSATE FOR THE INCREASED COSTS OF IMPORTED GOODS. WHEN QUESTIONED, SAMAYOA STRESSED THEIR OBJECTIVE FOR MORE QUOTA FLEXIBILITY IN A NEW ICA. HE SAID THE AFRICANS ARE THOSE MOST INSISTENT ON A NEW AGREEMENT WHEREAS LIMITED OFFICIAL USE
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EL SALVADOR WANTS ONE ONLY IF ITS CHARACTERISTICS ARE RADICALLY DIFFERENT FROM THAT OF 1968.
MOSKOWITZ

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Message Attributes

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Disposition Authority: smithrj
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